

# Proposed Financing

- o Property to be purchased through a JPA formed by MTC and BATA
- o The transaction will be all cash with no debt utilized.
  - o Source of Funds:
    - o BATA Reserves
    - o \$150 million available
- o Legal Authority
  - MTC/BATA staff has vetted structure and use of BATA funds with Orrick, Herrington & Sutcliffe LLP, BATA's bond counsel.
  - Orrick has advised that the Streets and Highways Code and the Government Code permit BATA to make advances and contributions of BATA toll revenues to the JPA to fund the acquisition of a building and authorize the JPA to own the building and have public entities (such as ABAG and the Air District) and private sector entities as tenants.

# Development Plan

- Assumptions:
  - Property of +/- 500k sq ft
  - Cost \$100-150mm (inc TI)
  - Agency space 200k sq ft
    - Rents maintained at current space levels
    - Rent = 50-65% discounted from commercial rent
    - Offset by level of commercial development and leases
  - Commercial space +/- 300k sq ft
    - Occupancy 70%
    - Rent \$2.70 sq ft

# Proposed Ownership Structure

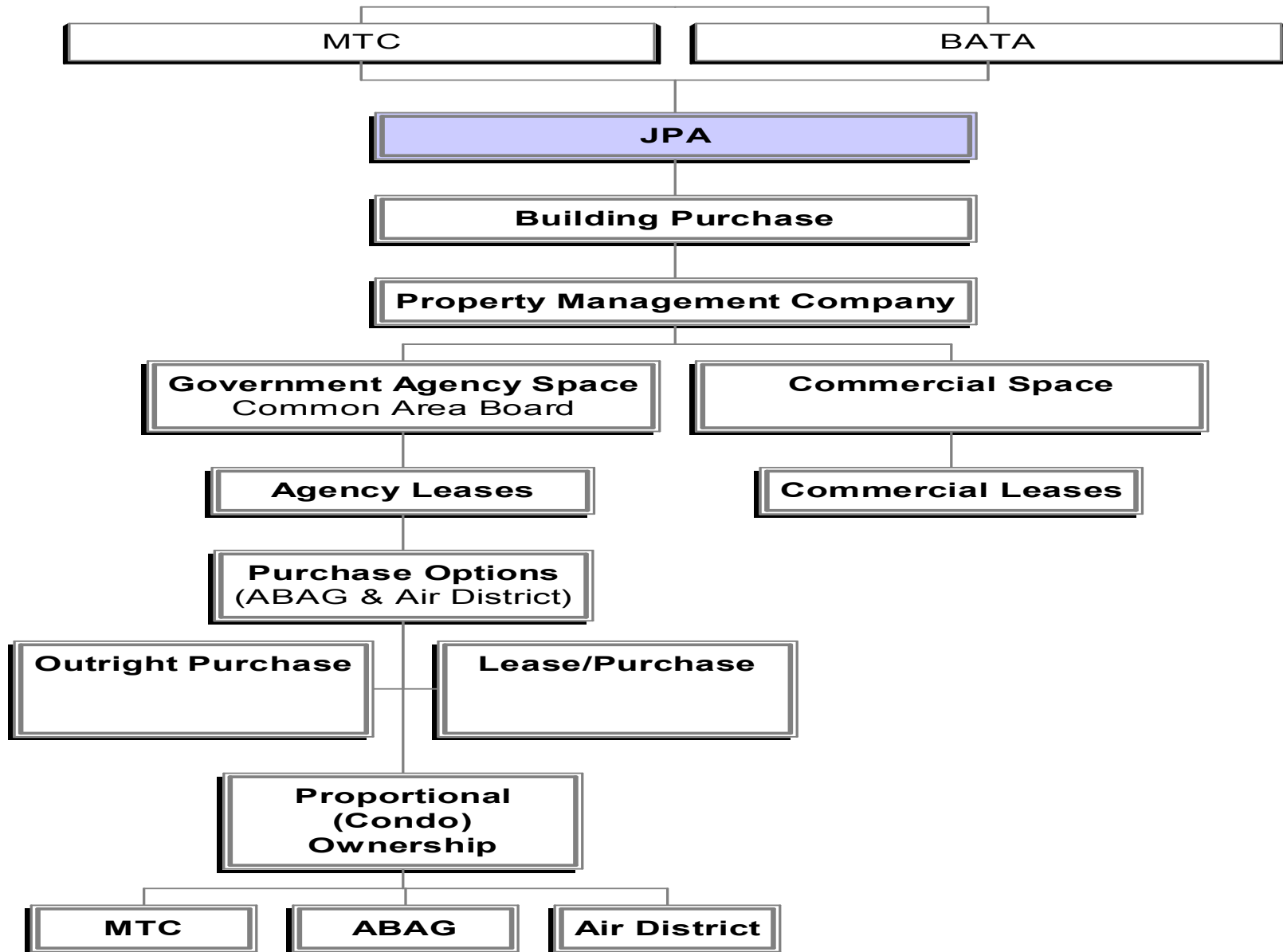
- o The JPA will enter into long term leases with each of the government agencies, MTC, BATA, ABAG and the BAAQMD (and BCDC, if BCDC should elect to participate in the transaction).
- o Each party would ultimately be given the opportunity to obtain ownership in their footprint within the building. The actual ownership interest is to be determined, but options would include:
  - ✓ Outright purchase of individual footprints within the building upon completion of the initial transaction, or
  - ✓ Long-term non-cancelable leases for individual footprints within the building with options to purchase during the term or at end of term.
  - ✓ When individual agencies (ABAG, BAAQMD) attain an ownership interest, a condominium type ownership structure, as mutually agreed by the parties, will be developed.
- o Common area management will be overseen by an “operating board/committee” staffed by members of each agency; including potential oversight of shared agency services (i.e. IT, Food Service, Mail Room, Supplies, Janitorial services, etc.)
- o Joint headquarters also offers opportunity to explore functional consolidation in other areas of staffing (i.e. HR, Administration, regional planning, etc).

# Proposed Ownership Structure

(continued)

The balance of the building not leased to government agencies will be commercially leased

- o The rent received on these commercial leases would be used to offset the purchase price and to some extent the lease rates for the other governmental agency tenants/owners and will be retained by the JPA for the benefit of BATA.
- o As Agency space needs increase over time, commercially let space would yield to agency needs.
- o The entire building will be managed by a professional building management company that will also be responsible for the marketing, operation and management of the commercial space



# Next Steps

- o 1<sup>st</sup> Round Negotiations
  - o Fiscal Due Diligence
  - o Building Efficiency/Occupancy Costs
- o Legal/Financial Terms and Conditions - developed
- o **Executive Director Briefing – Tuesday, June 14<sup>th</sup> @ 9:00 am**
- o 2<sup>nd</sup> Round Negotiations – Best and Final Offers
  - o Recommended Options
    - o Non-Binding Letter of Intent
    - o Draft Purchase and Sale Agreement
- o **Executive Director Briefing – (July TBD)**
- o **Governing Board Presentations (July Board Meetings)**
  - o Authorization on final terms and conditions with recommended option
  - o Presentation of Proposed Legal/Financial Terms and Conditions